



Director of  
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Intelligence

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Contents

Situation Reports

25X1

Iran . . . . . 1

Briefs and Comments

UK: *Labor Troubles* . . . . . 5

25X1

Cyprus: *Intercommunal Talks* . . . . . 7

Japan: *Allegations of Corruption* . . . . . 8

Lebanon: *Security Deteriorates in South* . . . . 9

25X1

Spain: *Terrorism* . . . . . 10

USSR: *Brezhnev Visit to Bulgaria* . . . . . 10

Special Analysis

Zambia: *The Outlook for Kaunda* . . . . . 11

Overnight Reports . . . . . 14

25X1

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SITUATION REPORTS

25X1

25X1

IRAN

*Iranian Prime Minister Bakhtiar yesterday named as Defense Minister a general known for his loyalty to the Shah. Continuing unrest in the provinces is causing strains even in some first-line military units*

Lt. Gen. Jafar Shafaqat will replace General Jam, who had earlier refused the post in the new government. Shafaqat has served as Imperial Guard division commander and as Chief of the Imperial Military Household--positions given only to those who enjoy the Shah's absolute confidence. Shafaqat most recently was governor of Azerbaijan-e Sharqi Province, a post he was given after the serious riots in Tabriz last March.

By selecting Shafaqat, Bakhtiar is probably trying to placate hardliners in the officer corps. This appointment will not help Bakhtiar with the opposition, which had its own candidate. Opposition leaders may point to Shafaqat's close ties with the Shah and accuse Bakhtiar of giving in to the Shah on the crucial issue of control over the armed forces.

According to Tehran Radio, Bakhtiar in his speech to the parliament yesterday called for the abolition of the Iranian intelligence and security service, SAVAK, swift trials for those charged with corruption, and the release of political prisoners. He also said Iran will not ship oil to Israel or South Africa. None of these measures is likely to be of much help in Bakhtiar's efforts to gain the political initiative.

The almost daily demonstrations in many cities and towns seem to be taxing even some of the Army's better units.

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Because of the lack of manpower, the Army has begun withdrawing from such major cities as Shiraz and Esfahan, as well as from numerous smaller cities and towns.

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The opposition in these towns and cities seems in control and has formed its own police force, courts, and government. In many cases, this transition was probably made easier because the local bureaucracy had already joined the opposition.

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Despite the apparent efforts by moderate oppositionists to establish local control, however, there were major demonstrations yesterday in Shiraz, where martial law was lifted earlier this week. Some injuries occurred there in a clash between security forces and demonstrators who managed to set the local SAVAK headquarters on fire, according to Tehran Radio.

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BRIEFS AND COMMENTS

UK: Labor Troubles

*A nationwide truck drivers' strike, sanctioned yesterday by the leadership of the Transport and General Workers Union, poses the most serious trade union challenge faced by Prime Minister Callaghan's minority government since the current round of wage negotiations began last fall. A prolonged truckers' strike could have a ripple effect leading to widespread layoffs and shortages of essential goods. Intensified labor trouble seems certain to spur public disenchantment with the government's pay policies--and a general election must be held by fall.*

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The Confederation of British Industry estimates that nearly a million workers could be laid off by the end of next week, and the strike is expected to affect over 60 percent of all goods moved by road. Almost all food deliveries are made by truck, although government officials assume that the drivers will allow essential shipments to continue.

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Conservative party spokesmen, attempting to compound Callaghan's problems, have demanded that the government invoke emergency powers giving it the authority to use soldiers to maintain key services. Callaghan last night did do so for Northern Ireland, where the supply situation is much worse than in Great Britain. Although extension of the state of emergency to the mainland would undercut Labor's image, Callaghan may have no other option if the situation deteriorates further.

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The truckers are demanding a 23-percent increase in basic pay; the government has been trying to hold to a 5-percent guideline. Other strikes in support of wage increases exceeding the government's guidelines are possible during the next several weeks among railway workers, coal miners, and others.

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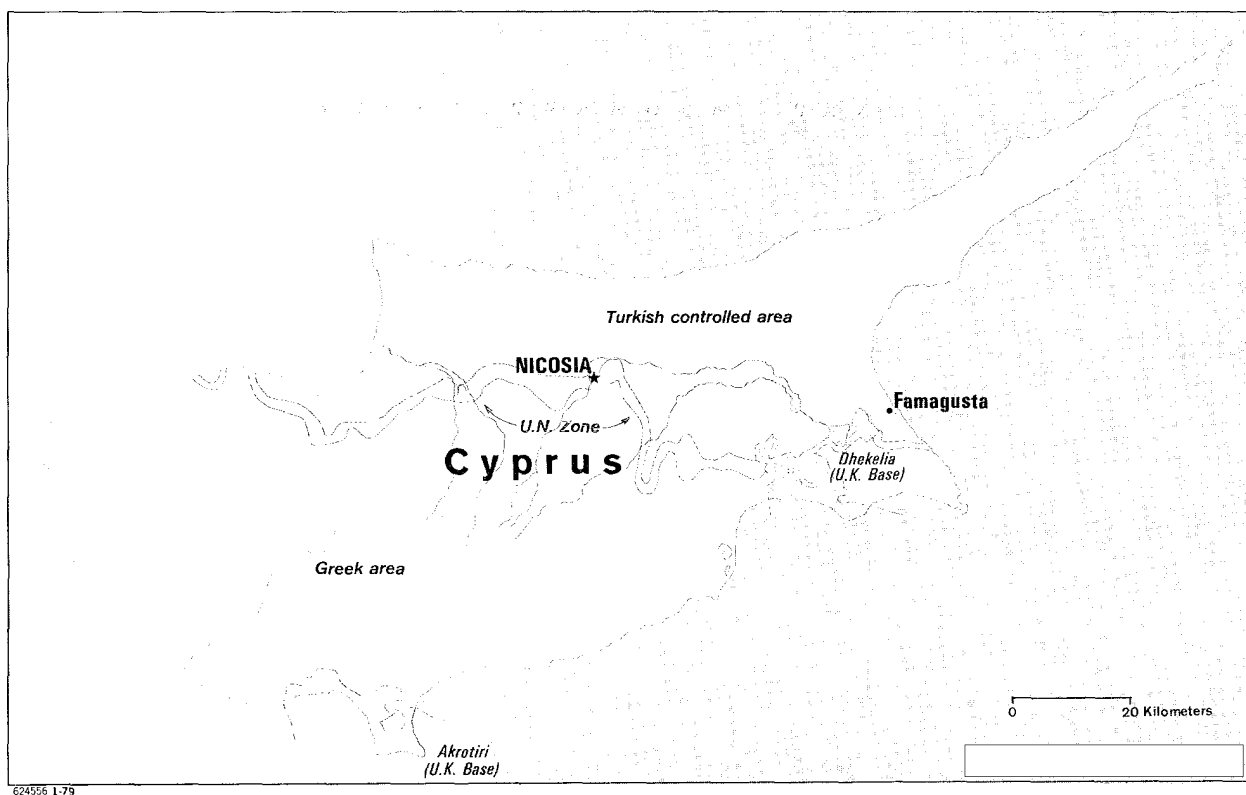
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CYPRUS: Intercommunal Talks

*The US-inspired effort to promote a compromise formula to achieve a Cyprus settlement is running into problems. Jockeying for advantage by both Greeks and Turks, along with domestic political considerations in the three affected countries, are the principal stumbling blocks.*

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Cypriot President Kyprianou has expressed reservations about the US plan on both substantive and domestic political grounds. His government pressed for an alternative plan sponsored by the UN and incorporating those US proposals that the Greek Cypriots favor, including early resettlement of the Greek section of the city of Famagusta under UN supervision. A new draft, prepared by UN Secretary General Waldheim, incorporated some Greek Cypriot suggestions, but Kyprianou's government has only reluctantly accepted the UN draft, under pressure from Greece and Greek Cypriot moderates.

Turkish and Turkish Cypriot leaders expressed even less enthusiasm for both the US proposals and the Waldheim version but, until this week, they maintained a studied official silence in the apparent hope that the Greek Cypriots would reject the proposals first. The Turks have now accepted some of Waldheim's proposals, but they maintain that resettlement can only follow progress on issues of importance to them.

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JAPAN: Allegations of Corruption

*Japan's opposition parties hope to embarrass the ruling Liberal Democratic Party when the next parliamentary session opens later this month by focusing on recent allegations that Japanese officials may have accepted bribes from the Grumman and the McDonald Douglas Corporations in the early 1970s. Although government and ruling party officials are concerned about the political fallout from the allegations, Prime Minister Ohira still plans to fund the acquisition of the Grumman E-2C early warning aircraft in this year's defense budget.*

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The opposition clearly hopes to revive the public suspicion that surrounded the ruling party during the Lockheed scandal in 1976. The Liberal Democrats, however, have given the opposition few issues to exploit in the Diet and have done well in scattered local elections.

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With nationwide local elections scheduled this spring, the opposition parties and the media are certain over the next few months to focus on the payoff allegations. Two Communist Party Dietmen are already in the US to "investigate," and other opposition leaders are certain to demand public disclosure of any official information that the Japanese Government receives on the affair.

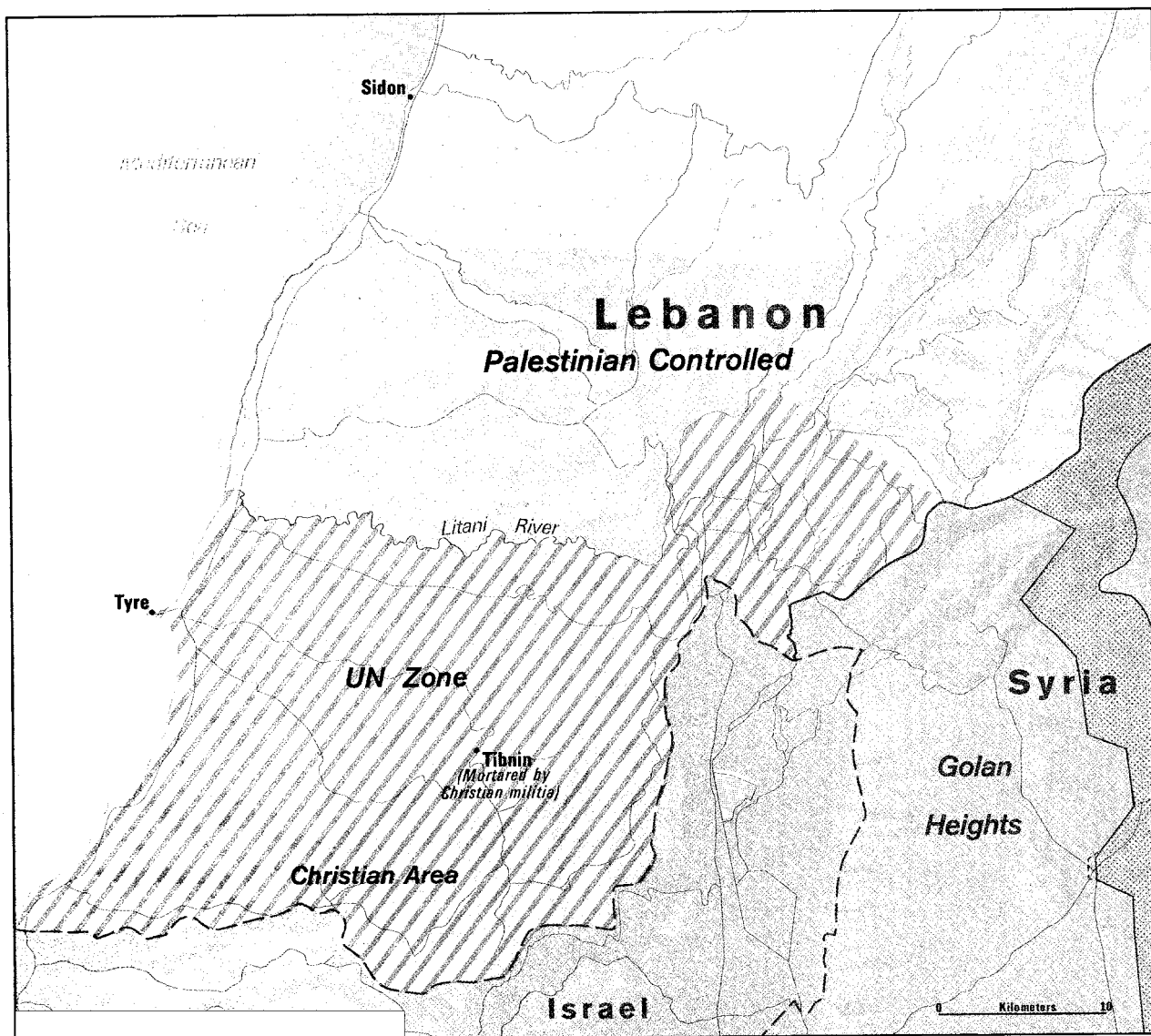
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The effect of the allegations on the ruling party's political fortunes still falls short of the dimensions of the Lockheed scandal, although the inquiries now under way could turn up some material that might damage the government.

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LEBANON: Security Deteriorates in South

Christian militia forces in southern Lebanon led by renegade Army officer Major Haddad mortared Tibnin--located in the zone controlled by UN peacekeeping forces--on Wednesday after Lebanese gendarmes ignored his warning to evacuate their station in the town. The militias, apparently taking advantage of increased Israeli support, have in recent weeks adopted a more aggressive posture toward the UN forces, firing almost daily into the UN zone and obstructing UN movement with roadblocks. Increased activity by Palestinian forces and Lebanese leftists has also contributed to a general deterioration of security in the south. The Israelis have again said they will try to prevent Haddad's more serious provocations, but we think he is likely to continue his harassment to show his opposition to the government's effort, which the UN supports, to increase its military presence in the south.

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SPAIN: Terrorism

Spain's Basque terrorist organization, the ETA, may have embarked on a course of action that would significantly increase tensions in the volatile Basque region. The ETA communique claiming responsibility for the killing of a member of the Civil Guard and his fiancée last weekend proclaimed that the deaths were a warning to all the enemies of the Basque region "and their families and friends." If the ETA deliberately killed the woman, this would mark the organization's first attack on the families or friends of the police. Further such attacks would probably lead the national police forces in the Basque region to retaliate, often indiscriminately, and could lock police and the ETA into a spiral of violence.

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USSR: Brezhnev Visit to Bulgaria

President Brezhnev left Moscow yesterday for a "short, friendly visit" to Sofia at the invitation of Bulgarian leader Zhivkov. A Soviet announcement gave no reason for the trip, noting only that Brezhnev also plans to "rest" in Bulgaria for several days, but the visit will be viewed with concern by Yugoslavia and Romania. Brezhnev has not been to Bulgaria since 1973 and--because there are no outstanding bilateral problems--may wish to "show the flag" in the wake of recent Chinese successes in the Balkans. Bulgaria has long been the USSR's most loyal ally, and Brezhnev may find it an appropriate site from which to reaffirm forcefully Soviet policy on a range of issues, notably Warsaw Pact solidarity and the Vietnamese takeover of Kampuchea.

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*Zambian President Kaunda*



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deeply divided over Zambia's Rhodesia policy. As a first step, Kaunda replaced the Army's commander, who had objected to the President's refusal to allow retaliation against Rhodesia. [redacted]

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Kaunda will seek to improve military morale by satisfying Zambia's defense needs. Zambia, however, does not have the foreign exchange to purchase military equipment outright. The UK provided some outdated equipment after the Rhodesian raids last October but it has been insufficient and inadequate to meet Zambia's needs. [redacted]

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The Soviets are eager to provide military equipment but Kaunda does not want to place Zambia's defense and security in the hands of a foreign power, especially one that he has never fully trusted. Kaunda, however, probably will raise the possibility of military assistance with a Chinese delegation due to arrive in Zambia late this week. [redacted]

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During the past year or so, Kaunda has consistently resisted any action that would risk an escalation of the fighting. He fears escalation could lead to an Angola-type civil war in Rhodesia, and he appears resigned to seeing Zambia suffer considerable sacrifice and humiliation to avoid this. [redacted]

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Kaunda still has considerable leeway with the Zambian military because its leaders admit there is no one capable of taking his place or dealing with the problems he faces. [redacted]

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#### The Economic Factor

A declining economy brought about by faltering copper sales and bottlenecks in the shipment of imports and exports forced Kaunda last September to resume use of the southern rail line through Rhodesia. The move has helped Zambia somewhat in getting its minerals to market and it gave Kaunda a much needed domestic political boost, particularly among farmers afraid they would have no fertilizer for this year's planting. The slump in world copper prices, however, has been a blow. [redacted]

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Kaunda is caught between the imperatives of domestic economics and African nationalism. He has lessened the economic pressure slightly with his move of last September and he has eased the military pressure somewhat by changing military commanders and making a show of searching for defensive military equipment. He can probably continue to temporize over the next several months, barring a major military catastrophe or civilian tragedy brought about by Rhodesian incursions. [REDACTED]

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In the meantime, he will watch closely for any political openings that may develop in Rhodesia. If the fighting continues with little prospect for genuine majority rule, Kaunda may feel he has no choice but to seek greater Soviet and Cuban support. [REDACTED]

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#### OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

#### USSR-Kampuchea

The US Embassy in Moscow comments that yesterday's references in a Pravda article to Prince Sihanouk suggest respect for his favorable international image and concern for the damage he can do to the Vietnamese-supported regime in Phnom Penh. The article, which was a TASS dispatch from Hanoi on a commentary by the "Kampuchean News Agency," also hints at the possibility of the new regime's acceptance of Sihanouk. It notes his press conference remarks in Beijing (Peking) denouncing human rights violations by the Pol Pot regime and asserts that Sihanouk can still be regarded as a Kampuchean patriot if he ceases to be a pawn of the "reactionaries and their accomplices," for the Soviet reader a clear reference to the Chinese and to the Pol Pot regime.

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#### South Yemen

A Sudanese official reports that heavy fighting between opposing political groups continued in South Yemen yesterday and that the clashes had spread to most areas of the country. It is still not clear to the Sudanese which faction has the upper hand. The US defense attache in North Yemen today cites a well-informed source in reporting no support for the allegations of widespread fighting. The source says that the activity consists of efforts by the South Yemen Government to dislodge insurgents in the border area.

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SPECIAL ANALYSIS

ZAMBIA: The Outlook for Kaunda

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[REDACTED]

*With his reelection now behind him, President Kaunda is attempting to face up to Zambia's economic problems and the strains produced by the country's role in the Rhodesian imbroglio.* [REDACTED]

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The unofficial count of the ballots cast last month gave Kaunda a 65 to 70 percent "yes" vote, a popular mandate somewhat less than Kaunda and his party had hoped for. Some signs of voter dissatisfaction did surface. Several legislators who had performed poorly in important economic and social welfare cabinet posts were not reelected. [REDACTED]

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Kaunda's new cabinet, announced on 2 January, is smaller than its predecessor but will have the same handicap. Kaunda's penchant for reserving for himself all major and most minor decisions will hamstring the ministers' efforts to carry out their duties. [REDACTED]

The Military Factor

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Party officials are disturbed by the fact that the "no" vote cast in areas around military installations was higher than the national average. They attribute that to discontent within the military generated by major Rhodesian airstrikes into Zambia during recent months. Although the strikes were launched against Zimbabwe African People's Union bases, Zambian forces took numerous casualties. The inadequacy of Zambia's defense capabilities and Kaunda's refusal to allow retaliatory strikes has embarrassed and frustrated Zambia's military leaders. [REDACTED]

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Kaunda's first challenge is to reassert his authority over the military, which [REDACTED] is

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Jamaica

The opposition Jamaica Labor Party yesterday called off the island-wide protest campaign that had resulted in scattered violence and several deaths, according to press reports. The reports describe Kingston as tense, but quiet; a number of banks and factories have reopened, and street barricades have disappeared. Although Jamaican officials have indicated strong concern that the tourist industry not suffer because of the well-publicized demonstrations, Foreign Minister Patterson told US Charge Haverkamp yesterday that the government expects the demonstrations to recur. Opposition leader Seaga has promised more protests, complaining that armed supporters of Prime Minister Manley's People's National Party had attacked protesters while security forces stood by and did nothing.

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China-Vietnam

The New China News Agency today alleges two incidents yesterday between Chinese and Vietnamese border guards (see Situation Report). The more serious of the reported incidents was at Longbang Pass in Guangxi (Kwangsi) Province. The Vietnamese guards are alleged to have used machineguns and grenades in a 15-minute attack on Chinese border posts and an elementary school.

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